
INTRODUCTION

A potential contractor may be asked to prepare a budget as part of a bid response. The budget is used for two different purposes:

1. Basis for reimbursement:

Actual Cost Reimbursement Method. The approved budget is part of the contract and serves as the basis for payment. Total expenditures are limited to the total budget amount. The contractor is reimbursed for actual expenses incurred in accordance with the budget.

2. Documentation to support reasonableness of price:

Unit Rate Payment Method. The approved budget is used to calculate the unit price. The budget is used as a basis for negotiation, or to analyze (together with the narrative proposal) the resources to be used in providing service. The budget does not control expenditures or serve as the basis for payment because the contractor is paid a set price for each unit of service provided.

UNIT RATE CONTRACTS WITH ACTUAL COST COMPONENTS

In some instances, identified components of cost are more appropriately reimbursed outside the unit rate. These are paid separately using the actual cost reimbursement method. Actual cost components may include, but are not limited to the following:

- Transportation/mileage.
- Specific assistance.

LINE ITEM TRANSFERS

For information on Line Item Transfers; see CPM 301.